

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 IO-13 AF-08 ARA-06 EA-07 EUR-12 NEA-10

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGR-05 AID-05

CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01

STR-04 TRSE-00 CIEP-01 CEA-01 /110 W

----- 124855

R 181350Z MAY 76

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 9815

INFO USUN US MISSION NEW YORK 713

ALL OECD CAPTIALS 0012

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UNCTAD 047

E. O. 11652; N/A

TAGS: UNCTAD, ETRD

SUBJ: UNCTAD IV - NEGOTIATING GROUP II - TRADE

SUMMARY - THERE ARE NOW FIVE DRAFT RESOLUTIONS ON THE TABLE:

THREE GROUP B TEXTS, (ON ACCESS TO MARKETS, RESTRICTIVE BUSINESS PRACTICES AND INDUSTRIALIZATION); TWO G-77 TEXTS, (ONE COVERING ACCESS TO MARKETS, INDUSTRIALIZATION, RBPS AND TRANSNATIONAL CORPORATIONS AND ANOTHER ON THE MTN); AND ONE GROUP D TEXT ON ACCESS TO MARKETS AND INDUSTRIALIZATION. GROUP B PLANS ALSO TO MAKE A DECLARATION FOR THE RECORD ON THE MTN. WORK HAS BEGUN WITHIN A DRAFTING GROUP TOWARD A SINGLE TEXT ON ACCESS TO MARKETS, WHICH MIGHT ALSO EVENTUALLY INCLUDE RBPS, TNCS AND INDUSTRIALIZATION, BUT THERE HAS BEEN VERY LITTLE PROGRESS TO DATE. GROUP B AS A WHOLE SEEMS INCLINED NOT REPEAT NOT TO TRY TO NEGOTIATE COMMON TEXT ON MTN, ESPECIALLY IN VIEW OF EXTREME POSITIONS TAKEN BY G-77, ALTHOUGH PERHAPS EVENTUALLY ACCEPTING SHORT RESOLUTION. END SUMMARY.

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1. NEGOTIATING GROUP II BEGAN WORK ON AGENDA ITEM 9 (MANUFACTURES AND SEMI-MANUFACTURES) ON WEDNESDAY, MAY 12, WITH GROUP B TABLING ITS DRAFT RESOLUTION ON MARKET ACCESS. G-77 APPEARED SOMEWHAT TAKEN ABACK BY QUICK TABLING OF GROUP B DRAFT, BUT DID POINT OUT AREAS WHERE GROUP B COMMITMENTS WERE WEAKER THAN MANILA TEXT. MAIN EMPHASIS BY G-77 SPOKESMAN (DUMAR - INDIA) WAS NEED FOR SECURITY AND PERMANENCE OF GSP IN ORDER TO STIMULATE INVESTMENT IN NEW PRODUCTION IN LDCS. NIGERIA NOTED OMISSION IN GROUP B TEXT OF NEED TO PROTECT SPECIAL ADVANTAGES ENJOYED BY CERTAIN LDCS. MEXICAN (GARRIDO) MADE SHARP INTERVENTION INSISTING ON FIRM COMMITMENTS, DUTY-FREE AND QUOTA-FREE ACCESS, CUMULATIVE TREATMENT ON RULES OF ORIGIN AND ELIMINATION OF DISCRIMINATORY ASPECTS OF THE US SCHEME. GROUP B SPOKESMAN (BRUNGART - US) VIGOROUSLY DEFENDED RESOLUTION IN PRESENT FORM. AFTER THIS PRELIMINARY EXCHANGE, NEGOTIATING GROUP SET UP DRAFTING GROUP.

2. NEXT NEGOTIATING GROUP MEETING ON TRADE ISSUES TOOK PLACE FRIDAY, MAY 14, AND REVIEWED RESTRICTIVE BUSINESS PRACTICES (RBPS) AND TRANS-NATIONAL CORPORATIONS (TNCs) STILL UNDER AGENDA ITEM 9. DISCUSSION ON RBPS REVOLVED AROUND COMPARISONS BETWEEN MANILA TEXT AND GROUP B DRAFT RESOLUTION. G-77 SPOKESMAN (INDIA AND VENEZUELA) STRESSED NEED TO GO BEYOND "BEST EFFORTS" TYPE OF COMMITMENTS AND CONFRONT NEED TO ELIMINATE RBPS. KUMAR ALSO OBJECTED TO REFERENCE TO NON-DISCRIMINATION AGAINST FOREIGN FIRMS, NOTING THAT RBP PROBLEM ARISES PRINCIPALLY OUT OF ACTIVITIES OF TNCs, A POINT PICKED UP BY GROUP D EXPERT ON THIS ISSUE (USSR VAGANOV). BRUNGART, AMONG OTHER POINTS, AGREED THAT TNCs ARE IMPORTANT PART OF WORK ON RBPS BUT THAT GROUP B BELIEVES THAT RBP WORK SHOULD COVER ANY ABUSE OF MARKET POWER OR RESTRAINT OF COMPETITION BY ANY ENTITY.

3. THIS DISCUSSION LED INTO REVIEW OF MANILA TEXT ON TNCs, WITH BRUNGART MAKING POINT THAT THIS ISSUE IS ALREADY COVERED BY UN COMMISSION ON TNCs, NAD CONSEQUENTLY UNCTAD SHOULD NOT REPEAT NOT UNDERTAKE LIMITED OFFICIAL USE

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PROGRAM ON THIS SUBJECT. KUMAR NOTED THAT WORK BY UNCTAD AND THE UN COMMISSION WAS NOT REPEAT NOT MUTUALLY EXCLUSIVE, AND THAT UNCTAD COULD CONTRIBUTE IN THE AREA OF THE TRADE EFFECTS OF TNCs.

4. DRAFTING GROUP MET BRIEFLY THURSDAY EVENING MAY 13, BUT NO REPEAT NO NEGOTIATIONS TOOK PLACE PENDING AGREEMENT WITHIN G-77 ON THEIR OWN RESOLUTIONS. TEXT

OF G-77 RESOLUTION ON MARKET ACCESS, INDUSTRIALIZATION, TNCS AND RBPS BECAME AVAILABLE ON FRIDAY, MAY 14, CONSISTING ESSENTIALLY OF MANILA DEMANDS WITH STRONGER REFERENCES TO "COMPREHENSIVE STRATEGY" IN AN EXPANDED CHAPEAU. GROUP D ALSO TABLED RATHER MODERATE TEXT ON MONDAY, MAY 17. DRAFTING GROUP MET MONDAY MAY 17, FOR FIRST READING OF MARKET ACCESS PORTIONS OF G-77 AND GROUP DRAFTS. IT WAS AGREED TO USE ORGANIZATION OF G-77 TEXT AS GUIDE TO NEGOTIATION, BUT OBJECT OF EXERCISE IS MERGER OF ALL DRAFTS. LITTLE PROGRESS TO THIS END HAS OCCURRED SO FAR, BUT SECRETARIAT WILL PRODUCE SINGLE HEAVILY-BRACKETED TEXT REFLECTING DISCUSSION TO DATE. ONLY ARTICLE WITHOUT BRACKETS AT THIS POINT IS THAT REFERRING TO ADDITIONAL MEASURES REGARDING UTILIZATION OF PREFERENCES AND CONSISTING OF COMBINATION OF PARAGRAPHS III AND IV OF GROUP B TEXTS. QUESTION OF WHETHER AND HOW TO REFER TO "COMPREHENSIVE STRATEGY" HAS BEEN POSTPONED FOR CONSIDERATION UNTIL END. MOST GROUP B COUNTRIES WOULD PREFER TO AVOID ANY REFERENCE TO STRATEGY IF POSSIBLE.

5. G-77 HAS ALSO TABLED RESOLUTION ON MTN WHICH IS CLOSE TO BUT SOMEWHAT STRONGER THAN MANILA TEXT AND ALSO INCLUDES SPECIFIC ESPOUSAL OF MTN REFORM GROUP TO ESTABLISH PREFERENTIAL TREATMENT FOR LDCS ON MANDATORY BASIS. G-77 ALSO PUSHING FOR LDCS RIGHT TO SUBSIDIZE EXPORTS. GENERAL GROUP B REACTION IS THAT RESOLUTION IS SO EXTREME THAT THERE IS VIRTUALLY NO REPEAT NO HOPE OF WORKING OUT ACCEPTABLE FORMULATIONS. GROUP B IS ALSO ANXIOUS TO MAINTAIN PRINCIPLE THAT UNCTAD IS NOT APPROPRIATE FORUM IN WHICH TO NEGOTIATE ON MTN ISSUES. BRUNGART HAS MADE POINT IN DRAFTING GROUP THAT WE BELIEVE APPROPRIATE WAY LIMITED OFFICIAL USE

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TO DEAL WITH THIS ISSUE IS VIA DECLARATION RATHER THAN RESOLUTION, BUT GROUP B WILL PROBABLY BE WILLING EVENTUALLY TO TRY TO WORK OUT AGREED RESOLUTION.

6. GROUP B CAUCUS FINISHED WORK ON DRAFT RESOLUTION ON INDUSTRIALIZATION EVENING MAY 17, AND TABLED IT. TEXT BEING SENT SEPTTEL.

7. NEXT SESSION OF NEGOTIATING GROUP ON TUESDAY MAY 18 WILL BEGIN CONSIDERING MTN (AGENDA ITEM 10), WITH INDUSTRIALIZATION (UNDER AGENDA ITEM 9) TO BE DISCUSSED THEREAFTER. DRAFTING GROUP WILL CONTINUE WITH WORK ON RBPS AND TNCS.

DECONTROL DATE: AUGUST 1, 1976.

MARSHALL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARKETS, LESS DEVELOPED COUNTRIES, AGREEMENT DRAFT, MEETING REPORTS, FOREIGN TRADE, TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NAIROB05080
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760196-1082
From: NAIROBI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760542/aaaabjpz.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAY 2004 by SmithRJ>; APPROVED <15 SEP 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UNCTAD IV - NEGOTIATING GROUP II - TRADE SUMMARY - THERE ARE NOW FIVE DRAFT RESOLUTIONS ON THE TABLE
TAGS: ETRD, KE, UNCTAD
To: SECSTATE WASHDC NEW YORK 713 0012
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006